

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 FMC-01 DODE-00 PA-01 PRS-01 /088 W

----- 031397

R 181745Z NOV 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7818

INFO AMCONSUL BELFAST

AMCONSUL EDINBURGH

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 18611

E.O. 11652: GDS

TAGS: PGOV, PINT' UK

SUBJECT: NATIONALIZATION BILL: WHO WILL BLINK FIRST?

REF: (A) LONDON 18247 (B) LONDON 18020 (C) LONDON 18262

SUMMARY. HOUSE OF LORDS NOVEMBER 16 AGAIN VOTED TO AMEND THE SHIPBUILDING AND AIRCRAFT INDUSTRY NATIONALIZATION BILL, EXEMPTING SHIP REPAIR FACILITIES AND RETURNING BILL TO COMMONS. WITH PARLIAMENTARY TIME RUNNING OUT, THE GOVERNMENT IS EXPECTED AGAIN TO OVER- RIDE THIS AMENDMENT AND SEND THE BILL BACK TO UPPER HOUSE. IF LORDS FAIL TO GIVE WAY, THE GOVERNMENT WILL HAVE TO CHOOSE BETWEEN ACCEPTING A WATERED-DOWN BILL, INVOKING THE PARLIAMENT ACT WHICH WILL DELAY ITS ENACTMENT, OR RISKING ITS COMPLETE LOSS. DELAY IN ENACTMENT, WE UNDERSTAND, COULD FORCE SEVERAL SHIP- BUILDING FIRMS INTO RECEIVERSHIP AND DELAY NEEDED CAPITAL INVESTMENT IN AIRCRAFT SECTOR. WHILE GOVERNMENT HAS NOT TAKEN A FINAL DECISION, MOST SIGNS SUGGEST THAT, IF THE LORDS ONCE AGAIN REFUSE TO ACQUIESCE, THE GOVERNMENT WILL INVOKE THE PARLIAMENT ACT IN THE EXPECT-  
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ATION THAT THE CONSERVATIVES WILL BEAR THE RESPONSIBILITY

FOR ANY BANKRUPTCIES AND CONCOMITANT UNEMPLOYMENT.  
ALTHOUGH WE CANNOT BE CERTAIN, WE WOULD GUESS THE  
LORDS WILL BLINK. END SUMMARY.

1. THE HOUSE OF LORDS NOVEMBER 16 VOTED BY A 144 TO 51  
MARGIN TO EXCLUDE SHIP REPAIR FACILITIES FROM THE  
CONTENTIOUS SHIPBUILDING AND AIRCRAFT NATIONALIZATION  
BILL. CONSERVATIVE HEREDITARY PEERS AND CROSSBENCHERS  
PROVIDED THE EDGE NEEDED TO REJECT THE WILL OF COMMONS  
ON THIS ISSUE (REF. A). THE BILL WILL NOW BE RETURNED  
TO COMMONS FOR A SECOND TIME WHERE IT WILL BE CONSIDERED  
NOVEMBER 18 ON A THREE HOUR CLOTURE RULE (REF. B).

2. WITH THE NEXT SESSION OF PARLIAMENT DUE TO OPEN  
NOVEMBER 24, THE GOVERNMENT FACES A SERIOUS TIME LIMIT  
IN DEALING WITH THIS DEADLOCK. GOVERNMENT BUSINESS  
MANAGERS, HOWEVER, HAVE TOLD EMBOFF THAT THE GOVERNMENT  
WILL AGAIN SEEK TO OVERRIDE THIS AMENDMENT AND EXPECTS  
TO SUCCEED, THOUGH BY A VERY NARROW MARGIN. IF THE  
GOVERNMENT SUCCEEDS, THE BILL WOULD ONCE MORE GO BACK TO  
LORDS. SHOULD THE PEERS THEN ACCEDE TO COMMONS, THE  
BILL WOULD RECEIVE ROYAL ASSENT; IF THEY DIQ IN, IT  
WILL SHUTTLE BACK TO COMMONS WITH FINAL CONSIDERATION SET  
FOR NOVEMBER 22. AT THAT POINT THE GOVERNMENT WOULD BE  
FORCED TO CHOOSE BETWEEN (A) ACCEPTING THE BILL WITH  
THE AMENDMENT EXEMPTING SHIP REPAIR FACILITIES, (B)  
AGAIN OVERTURNING THE AMENDMENT AND INVOKING THE  
PARLIAMENT ACT THEREBY DELAYING ENACTMENT ABOUT SIX  
MONTHS, OR (C) OVERRIDING THE AMENDMENT WITHOUT INVOKING  
THE PARLIAMENT ACT THUS RISKING LOSS OF THE ENTIRE BILL  
IF THE LORDS REFUSE TO BACK DOWN FOR THE THIRD TIME.

3. GOVERNMENT SOURCES REPORT THAT DELAY COULD RESULT IN  
THE FINANCIAL COLLAPSE OF SEVERAL SHIPBUILDING FIRMS,  
WITH ATTENDANT INCREASE IN UNEMPLOYMENT. IT WOULD ALSO  
DELAY BADLY NEEDED CAPITAL INVESTMENT IN THE AIRCRAFT  
INDUSTRY. WE ARE NOT IN A POSITION TO JUDGE THE  
ACCURACY OF THESE CLAIMS. THESE SOURCES ALSO SUGGEST  
THAT IF LORDS FAIL TO ACCEPT THE WILL OF COMMONS, THE  
GOVERNMENT IS MOST LIKELY TO ACCEPT THE DELAY RATHER  
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THAN TAKE THE AMENDED BILL OR RISK LOSING IT ENTIRELY,  
WHILE SEEKING TO ENSURE THE TORIES TAKE FULL CREDIT FOR  
ANY BANKRUPTCIES OR UNEMPLOYMENT THAT ENSUE.

4. COMMENT. THE GOVERNMENT IS CONVINCED THAT  
CONSERVATIVE LEADER THATCHER AND HER AIDES ARE PRESSURING  
THE TORY LEADERS IN LORDS NOT TO BACK DOWN ON THIS ISSUE  
IN THE HOPE OF BLOCKING LEGISLATION THEY CONSIDER

IDEOLOGICALLY ODIUS AND OF BUTTRESSING THEIR ARGUMENT  
THAT THE CALLAGHAN GOVERNMENT IS TOO WEAK TO GOVERN. IF  
THE GOVERNMENT ULTIMATELY ACCEPTS THE AMENDMENT, IT  
WOULD ALSO BE A GREAT MORAL VICTORY FOR THE

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INFO AMCONSUL BELFAST

AMCONSUL EDINBURGH

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 18611

CONSERVATIVES. THE CONVERSE IS TRUE FOR THE  
GOVERNMENT. THUS TO A LARGE EXTENT EACH SIDE IS TRYING  
TO FACE THE OTHER DOWN. IF THE GOVERNMENT CAN SUSTAIN  
THE EARLIER REJECTION OF THIS AMENDMENT. AND THE UPPER  
CHAMBER DIGS IN, WE ARE INCLINED TO BELIEVE THE  
GOVERNMENT WILL OPT TO ACCEPT THE DELAY BY INVOKING THE  
PARLIAMENT ACT.

5. WHILE THE NATIONALIZATION BILL IS SIGNIFICANT IN  
ECONOMIC TERMS, ITS IMPORTANCE IS NOW PREDOMINANTLY  
POLITICAL. THE GOVERNMENT, AND PRESUMABLY THE LABOR  
PARTY. PERCEIVE THIS BILL AS A CRITICAL TEST OF  
POLITICAL WILL. ACCEPTANCE OF THE LORDS AMENDMENT, WHILE  
NOT VITAL TO THE NATIONALIZATION SCHEME, WOULD BE

INTERPRETED AS A FURTHER INDICATION OF POLITICAL WEAK-  
NESS, OERHAPS PUTTING LABOR PERMANENTLY ON THE RUN. THE  
TORIES, IT WOULD SEEM TO US, ONLY GAIN A POLITICAL  
ADVANTAGE IF THEY CAN FACE DOWN THE GOVERNMENT OR KILL  
THE BILL. ITS DELAY, WITH THE ACCOMPANYING FAILURE OF  
ONE OR MORE FIRMS. WOULD BE POLITICALLY DISADVANTAGEOUS  
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AND ENSURE THAT FAR-REACHING REFORM OF THE LORDS BECOMES  
A HIGH PRIORITY GOAL FOR THE LABOR PARTY AND OTHERS. WE  
SUSPECT. ACCORDINGLY, THAT THE LORDS WILL CAVE FIRST.

ARMSTRONG

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## Message Attributes

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